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BEFORE THE
FEDERAL COMMUNICATIONS COMMISSION
WASHINGTON, D.C. 20554

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

In the Matter of	)	
	)	
Amendment of the Commission's Rules and Policies to Increase Subscribership and Usage of the Public Switched Network	)))))	CC Docket No. 95-115

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COMMENTS OF AMERITEL
PAY PHONES, INC.

Ameritel Pay Phones, Inc. ("Ameritel"), by its attorneys, respectfully submits these comments in response to the Commission's Notice of Proposed Rulemaking in this docket.[1] This docket was opened to address the Commission's universal service policies, in an attempt to increase even further the percentage of households with telephone service. Currently, ninety-four percent of all American households receive telephone service, and the Notice presents a number of proposals intended to reach the small minority of households that do not subscribe to telephone service. Although these proposals raise numerous important public policy issues, Ameritel limits its initial comments to one of the proposals -- the proposal to prohibit local exchange carriers ("LECs") from disconnecting local service for the non-payment of interstate services. Ameritel opposes this proposal because it will significantly impair billing arrangements for the entire interexchange industry.

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[1] FCC 95-281 (rel. July 20, 1995) (hereinafter "Notice").

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Ameritel is an interexchange carrier specializing in operator assisted long distance services originating from confinement facilities. Ameritel's sophisticated call processing equipment and services enable inmates to place operator assisted calls to family members and loved ones, while also permitting correctional officers to maintain institutional security and to control fraudulent or harassing phone usage. Ameritel provides services to over 420 city and county jails located in Missouri, Kansas, Iowa, Nebraska, South Dakota, Arkansas, Oklahoma, and Illinois.

For security reasons, Ameritel's equipment restricts inmates to placing collect calls only. "Collect" calls are paid for by the recipient, rather than the originator, of the telephone call. In the overwhelming majority of instances, Ameritel bills these calls to the recipient's telephone line number through a separate page of the bill sent by the customer's LEC. By billing through the LEC, Ameritel provides the customer with the convenience of receiving its telephone-related charges in a single bill. In Ameritel's experience, LEC billing is expected and generally preferred by the customer over other billing alternatives. Thus, LEC billing is the central feature of Ameritel's collection strategy.

One of the most attractive features of most LEC billing and collection services is the "disconnect for non-payment" ("DNP") policy they have adopted. That is, these LECs voluntarily agree that, in addition to listing an IXC's charges on their bills, they will terminate their own services if the customer fails to pay the entire telephone bill. This feature distinguishes LEC billing from other billing alternatives, and significantly contributes to the success of the LECs' collection efforts. It is particularly important for providers, such as Ameritel, that are not the customer's direct dial long distance carrier. Put simply, in many of these casual calling situations, conventional collection means (late payment notices, collection agency referrals) are more costly than the debt which is trying to be collected. Disconnect for non-payment is the only economical option to assure payment of the debt. Moreover, DNP is effective; Ameritel's uncollectible rate is significantly lower when it bills through a LEC than when it bills by other means.

The Notice proposes to prohibit this feature, however. Relying on studies which conclude that a majority of those without telephone service previously had it, the Commission seeks comment on whether prohibiting DNP will enable these customers to re-subscribe to telephone service. Specifically, the Commission relies on a California study which estimated that 65 percent of "non-subscribers" (i.e., of the roughly 5 percent of the nation without telephone service) previously subscribed to telephone service.[2] According to the Commission, prohibiting the LECs from offering DNP "may increase subscribership nationwide."[3]

Ameritel submits that the proposed solution greatly exceeds the problem which it is designed to achieve. Only a very small percentage of the population is without phone service today, and an even smaller percentage lacks such service because they have been voluntarily disconnected. Using the California study's results, for example,

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[2] Notice at ¶ 13.

[3] Id. at ¶ 30.

only approximately 1.8 percent of the population is without phone service due to the LECs' disconnect policies.[4] The DNP prohibition, on the other hand, would not be limited to this 1.8 percent of the population, but would affect every interstate call billed through a LEC. Plainly, the proposal does not achieve the Commission's stated goal "to develop narrow, targeted solutions" to increase subscribership.[5] Given that other, more narrow means are suggested in the Notice, the DNP proposal should be rejected.

The consequences of the DNP proposal could be very far ranging. As explained above, the vast majority of calls processed by Ameritel are billed through a LEC. Ameritel expects that, if DNP were not available, a higher percentage of these calls would be uncollectible, even where the customer has the financial means to pay the debt. This, in turn, would require Ameritel to recover its increased uncollectible costs through other means, such as increasing its overall rates by an amount that will offset the uncollectible messages and/or by refusing to complete some calls because the recipient is a credit risk. The result is to reduce the availability of operator assisted calling to inmates, either by making the service less affordable or by limiting the inmate's ability to place the call at all. Indeed, if carriers are forced to increase rates,

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[4] This figure is derived as follows: 94% of the country has phone service; of the 6% without service, the California study finds that 65% of them previously subscribed to telephone service. This is approximately 3.9% of the overall population (6% times .65). However, of the 3.9%, less than half (46%) were involuntarily disconnected. See Notice at ¶ 13 n.15. Thus, 1.8% (3.9% times .46) of the population is without telephone service because they were disconnected by the LEC.

[5] Id. at ¶ 3.

the Commission's proposal would penalize the majority of customers who pay their bills, while rewarding those customers who ignore their payment obligations.[6]

In addition to being much broader than is necessary, the proposal does not address what the Commission has identified as the core problem resulting in disconnection. According to the Notice, one of the primary causes of disconnection for non-payment is the customer's failure to exercise effective control over long distance usage.[7] Prohibiting the LEC from disconnecting service for non-payment of long distance charges does not increase customer control, however. Instead, all it does is insulate them from the consequences of their inability (or unwillingness) to control their long distance charges. Customers still could (and would) run up long distance bills they could not afford, but, if DNP were prohibited, it would be the carrier (and its paying customers) that would bear the consequences of the customer's failure to pay.

For the foregoing reasons, Ameritel submits that the Commission's proposal to prohibit LECs from offering disconnect for non-payment should be rejected. Other alternatives are available to the Commission, and may be more effective in increasing access to the public network. Therefore, the Commission should leave disconnect policies to the discretion of the individual LECs.

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[6] Moreover, the DNP proposal is inconsistent with Commission efforts in the billed party preference docket, and elsewhere, to eliminate "exorbitant" charges for operator assisted calls. If the Commission increases the percentage of uncollectible messages, this will put pressure on a carrier to <u>increase</u>, not lower, its rates to account for the additional costs it incurs.

[7] Notice at ¶¶ 14-15.

Respectfully submitted,

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